

Message Text

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15
ACTION NEA-10

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E.O. 11652: N/A
TAGS: EFIN, EAID, KU
SUBJ: GULF ORGANIZATION FOR DEVELOPMENT OF EGYPT (GODE)

REF: A. CAIRO 9710; B. KUWAIT 4328

1. IN COURSE OF CONVERSATION ON OTHER MATTERS WITH
FEISAL JAAFAR, DIRECTOR OF FINANCE MINISTER'S OFFICE,
EMBOFF RAISED SUBJECT OF GODE, NEW DEVELOPMENT FUND FOR
EGYPT (REF A). JAAFAR OBSERVED THAT AID TO BE OFFERED BY
NEW ORGANIZATION WOULD BE COMBINATION OF A) "SEMI-SOFT" (5
PERCENT INTEREST) AND COMMERCIAL RATE LOANS FOR SPECIFIC
DEVELOPMENT PROJECTS AS OUTLINED IN EGYPT'S FIVE-
YEAR PLAN, AND, B) SOFT LOANS TO SUPPORT GOE BALANCE
OF PAYMENTS POSITION. JAAFAR STRESSED THAT BALANCE
OF PAYMENT SUPPORT, CONTRARY TO GOE DESIRES, WOULD
BE ONLY SUBSIDIARY ACTIVITY OF NEW FUND. FROM PRO-
CEDURES TO BE USED IN DETERMINING DIRECTION AND
AMOUNT OF AID, WHICH INVOLVE CLOSE CONSULTATION WITH
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GOE ECONOMIC PLANNERS ON SPECIFIC PROJECT PROPOSALS,

IT APPEARS THAT PRIME ACTIVITY OF FUND WILL BE LOANS
TIED TO SPECIFIC, NON-INFRASTRUCTURE PROJECTS.

2. ON ORGANIZATIONAL MATTERS, JAAFAR COMMENTED THAT FUND WOULD
PROBABLY WORK CLOSELY WITH RELEVANT OFFICIALS OF MEMBER
COUNTRIES (INCLUDING EGYPT), SO THAT ITS OWN ECONOMIC STAFF
NEED NOT BE LARGE. ORGANIZATION WOULD LIKELY BE LIMITED
TO BOARD OF DIRECTORS AND CLERICAL ADMINISTRATIVE STAFF.

3. JAAFAR STATED THAT PRIME PURPOSE OF GODE WOULD BE TO
COORDINATE ASSISTANCE OF FOUR GOVERNMENTS TO EGYPT.
ACCORDING TO JAAFAR, PREVIOUS SYSTEM OF INDEPENDENT ACTION
BY INDIVIDUAL ARAB COUNTRIES, HAD IT CONTINUED, WOULD
HAVE ALLOWED WASTEFUL DUPLICATION AND UNDUE EGYPTIAN
INFLUENCE IN AID EFFORT. EXPRESSING HIS OWN OPINION,
JAAFAR FELT THAT GODE WOULD HANDLE ALL BILATERAL ECONOMIC
ASSISTANCE TO EGYPT ON PART OF MEMBER STATES, THOUGH
MULTILATERAL SOFT LOAN AID WOULD CONTINUE FROM KUWAIT
AND ABU DHABI DEVELOPMENT FUNDS AND FROM ARAB FUND.

4. COMMENT: IN CONVERSATION JAAFAR REITERATED STANDARD GOK
COMPLAINTS ABOUT MISMANAGEMENT AND BUREAUCRACY. THERE IS SOME
POSSIBILITY THAT GODE WILL BE USED AS MEANS WHEREBY
DONOR COUNTRIES COULD GAIN FURTHER INFLUENCE OVER
EGYPT'S ECONOMY BY CHANNELING ARAB ECONOMIC ASSISTANCE
TOWARDS SPECIFIC PROJECTS AND AWAY FROM GENERALIZED
BALANCE OF PAYMENTS SUPPORT.
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